

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 981 – SB 1184

March 1, 2015

**SUMMARY OF ORIGINAL BILL:** Authorizes Johnson City to adjust its hotel occupancy tax rate. Requires any proceeds from the rate adjustment to be used solely for tourism.

FISCAL IMPACT OF ORIGINAL BILL:

Increase Local Revenue – \$519,200/Johnson City/Permissive

**SUMMARY OF AMENDMENT (003595):** Establishes that the rate adjustment shall be made one-time only and shall not exceed two percent of the consideration charged to the transient by the operator.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Unchanged from the original fiscal note.

Assumptions for the bill as amended:

- The original fiscal note assumed that the rate adjustment will be made one-time only and would be equal to two percent. Therefore, amendment 003595 will not change the fiscal impact estimated on the original fiscal note.
- Johnson City currently imposes a five percent hotel occupancy tax, which is equal to the maximum rate authorized for home rule cities under current law, pursuant to Tenn. Code Ann. § 67-4-1402(a).
- Johnson City's FY14-15 budget shows that projected hotel occupancy tax collections are \$1,285,000 for FY13-14; the budgeted amount for FY14-15 is \$1,298,000.
- Based on recent attempts by Johnson City officials to increase the hotel occupancy tax rate, it is assumed that Johnson City will elect to increase its hotel occupancy tax rate from five to seven percent upon passage of this bill.
- The permissive recurring increase in local government revenue is estimated to be \$519,200  $[(\$1,298,000 / 5.0\%) \times 2.0\%]$ .

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

HB 981 – SB 1184

A handwritten signature in dark ink, reading "Jeffrey L. Spalding". The signature is written in a cursive style with a large, stylized "J" and "S".

Jeffrey L. Spalding, Executive Director

/bos